



COMMISSION NEWS

ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

TO: EDITORS, NEWS DIRECTORS
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UNSCRUPULOUS ACTIVITY WITH REAL ESTATE INVESTMENTS RESULTS IN COMMISSION ORDERS

PHOENIX – The Arizona Corporation Commission entered into a consent order and issued a default order, requiring two individuals and several affiliated companies to return a total of \$643,719 to investors and pay a total of \$45,000 in penalties. The consent order involved a Scottsdale businessman who sold limited partnership interests and promissory notes to support various real estate ventures in the Phoenix area. He was found to have used investor funds for personal expenditures. The default order involved a former securities salesman who borrowed money from a client and fraudulently solicited investments in a real estate development company.

Tierra Group, Rene L. Couch, et al.

Rene L. Couch, a 56-year-old Scottsdale businessman, and multiple affiliated firms, consented to a Commission order requiring the return of \$549,085 to investors and imposing a \$25,000 penalty in connection with the offer and sale of promissory notes and limited partnership interests. Couch was not registered to offer or sell securities in Arizona.

In addition to Couch, the following Scottsdale firms are named in the order:

- Tierra Group, a/k/a Tierra Group Properties, Tierra Group Companies, or Tierra Group, Inc.,
- Preservation Corporation, a/k/a Preservation Trust Corporation or Preservation Trust Company,
- Partnership Preservation Trust, a/k/a Partnership Preservation Corporation Limited Partnership, and
- Caterpillar Foundation, a/k/a Caterpillar Foundation Properties Limited Partnership.

Over a 12 to 14-year period, Couch solicited over 170 Arizona investors to purchase limited partnership interests and promissory notes to finance a series of real estate ventures. In total, Couch raised several million dollars

during this period.

While Couch expended some investor funds for legitimate partnership expenses, a forensic accounting examination revealed that Couch also used investor money for personal expenditures such as golf dues, medical expenses, life insurance payments, educational costs, personal credit cards, and other unrelated business expenses.

The Commission's Securities Division also claimed that Couch employed a scheme or artifice to defraud. According to the Consent Order, Couch failed to notify investors that some of the investors' money was being routinely diverted to satisfy unrelated corporate debts and personal obligations. Additionally, investors were not aware that Couch had, at one point, deeded ownership of the partnership's property into his own name to secure a second mortgage and to use a portion of those proceeds for personal benefit.

By 2002, many of the bridge loans were in default and investors subsequently forced Couch and his companies to declare bankruptcy. The real estate of the various partnership and note programs was liquidated for approximately \$2.9 million, a portion of which remains in escrow for investors until various creditor claims are resolved.

Mark J. Sheehy

The Arizona Corporation Commission issued a default order against 36-year-old securities salesman Mark J. Sheehy of Scottsdale, requiring him to pay a \$20,000 penalty and return \$94,634 for dishonest and unethical conduct regarding a client's brokerage account. The Commission also revoked Sheehy's securities salesman registration in Arizona.

The Commission found that over a two-year period beginning in January 2003, Sheehy solicited a retired nurse and homemaker with the recommendation to invest in stock of a real estate development company. During this time, Sheehy was a registered salesman with a series of dealers—UBS Financial Services, Morgan Stanley and First Financial Equity Corporation.

Sheehy had provided investment advice to the woman's elderly parents for about twelve years. The woman was

also Sheehy's client. Subsequently, Sheehy advised his client to invest her inheritance through him in a brokerage account. He recommended taking money from her brokerage account for an investment in a development company, assuring her that it was a "sure thing" with immediate dividend payments. Sheehy advised his client to make the checks payable to him. He also told her that he invested his own money in the company and that it was available only to a select few of his clients.

The Commission found that Sheehy made monthly distributions to his client with funds from her own brokerage accounts, resulting in margin interest charges. Sheehy told his client that the distributions were "dividends" from the alleged investment.

Sheehy committed securities fraud by:

- Misrepresenting the source of the investment's returns and the use of the investment funds,
- Failing to disclose the background or financial information about the alleged development company or its principals, and
- Engaging in unauthorized transactions in his client's accounts.

Additionally, Sheehy borrowed money from his client, which is a violation of his dealer's policies and procedures. After Sheehy failed to repay the money or to return his client's telephone calls, the client contacted First Financial Services, Inc. First Financial terminated Sheehy's employment in February 2005.

Caution for Investors

Entrusting your money with someone for investment purposes, while expecting a profit through the efforts of others, may involve a security and sales agents/dealers subject to registration. **VERIFY BEFORE YOU BUY!** Call the Securities Division, (602) 542-4242, toll free (866) VERIFY-9. The Division's investor education web site also has helpful information at **www.azinvestor.gov**.

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